MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 3, 2021/2022

BAC1634 – FINANCIAL ACCOUNTING & REPORTING I

(All sections/Groups)

10 AUGUST 2022
9.00 a.m – 12.00 p.m
(3 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of 6 pages excluding the cover page with 4 questions.
2. Attempt **ALL** questions. The distribution of the marks for each question is given.
3. Please write all your answers in the Answer Booklet provided.

QUESTION 1

Part A

Demonstrate the differences in the monitoring functions of the Securities Commission Malaysia, Bursa Malaysia, and the Bank Negara Malaysia. (12 marks)

Part B

Muscly Drinks manufactures and sells fruit drinks. A consumer fell ill after consuming the drinks over a long period of time and was hospitalised. As a result, the consumer missed an important sports tournament. The consumer sued Muscly Drinks for RM200,000 for the pain and agony caused by consuming the drinks. Muscly Drinks made a provision for liability of RM50,000. The court case was pending at the end of the year. Two months after the financial year end but before the financial statements were authorised for issue, the case came to court and the judgment was in favour of the consumer. The consumer was awarded damages of RM150,000.

Required:

In compliance with MFRS 110: Events After the Reporting period, produce the accounting treatment of the above-mentioned case. (3 marks)

Part C

(a)Your assistant has been reading the MASB's Conceptual Framework for Financial Reporting (Conceptual Framework) and has a misconception that the Conceptual Framework is not needed since there are Malaysian Financial Reporting Standards to guide financial reporting practice.

Required:

Demonstrate to your assistant why the Conceptual Framework is needed. (5 marks)

(b) Asset and liability are two of the basic elements of accounting in the Conceptual Framework.

Required:

Describe asset and liability and illustrate with relevant example for each element.

(5 marks)

(Total: 25 marks)

Continued ...

QUESTION 2

The following list of balances has been extracted from the books of Holiday Bhd as at 31 March 2022.

Holiday Bhd
Trial Balance as at 31 March 2022

	RM	RM
Ordinary shares		16,600,000
Retained profit on 1 April 2021		12,240,000
Directors' emoluments	1,400,000	
Research and development	6,616,000	
Land	11,548,000	
Building (cost)	10,000,000	
Plant and equipment (cost)	5,000,000	
Accumulated depreciation on 1 April 2021:		
Building		1,080,000
Plant and equipment		1,656,000
Inventory on 1 April 2021	1,500,000	
Tax expense	418,000	
10% debentures		1,600,000
Purchases	8,000,000	
Sales		16,020,000
Utilities expense	120,000	
Salaries expense	1,320,000	
Bad debts	16,000	
Allowance for doubtful debts		40,000
Advertising expenses	1,234,000	
Ordinary dividends paid	396,000	
Freight in expense	88,000	
Debentures interest	80,000	
Bank balance	1,360,000	
Accounts receivable	904,000	
Accounts payable		764,000
	50,000,000	50,000,000

Additional information:
1. Unsold inventory on 31 March 2022 is valued at RM1,568,000.
2. On 31 March 2022, a trade debtor goes bankrupt and his debts of RM 4,000 are written off.

Continued ...

3. The allowance for doubtful debts is to be adjusted so that it is 5% of net accounts receivable.
4. Utilities have been prepaid by RM20,000 and RM80,000 of salaries is accrued on 31 March 2022.
5. The following provisions are to be made:
    a. Depreciation on non-current assets: Building 10% on cost; Plant and Equipment 20% on cost.
    b. Amortisation of research and development of RM16,000.
    c. Final ordinary dividends of 2% are to be paid net of tax of 25%.
6. The second half year's debenture interest has not been provided.

Required:

In compliance with MFRS 101 Presentation of Financial Statements, prepare for Holiday Bhd, its

(i) Statement of Profit or Loss and Other Comprehensive Income (8 marks)
(ii) Statement of Financial Position. (17 marks)

(Total: 25 marks)

QUESTION 3

Part A

The extract of statement of profit or loss of Beverly Bhd, a listed company is as the following:

Profit for the year ended 31 December 2021

	RM
Profit before taxation	1,400,000
Taxation - 30%	(420,000)
Profit after taxation	980,000

Additional information:

1. Issued share capital on 1 January 2021 comprises of 4 million ordinary shares and 1 million cumulative preference shares of RM1 each. The preference shares carry a gross dividend rate of 8%.
2. On 1 April 2021, a rights issue of ordinary shares on a one-for-four basis at RM1.60 (market price before the issue was RM2) was made.
3. On 1 January 2021, RM1,000,000 10% convertible debentures that are convertible into 400 ordinary shares per RM200 debenture were outstanding.
4. The basic EPS for the year ended 31 December 2020 was 17 sen.
5. Tax rate is 30%.

Required:

In compliance with MFRS 133 Earnings per Share:

(i) Compute the Theoretical Ex-Rights Price for the rights issue.

(4 marks)

(ii) Compute Beverly Bhd's basic EPS for the current year and comparative figure for the previous year (round up your answer to two decimal points).

(5 marks)

(iii) Compute the diluted EPS for the current year (round up your answer to two decimal points).

(4 marks)

Part B

The following information relates to Heaven Bhd's accounts receivable.

	RM
Beginning balance	60,000
Credit sales	300,000
Cash receipts from trade debtors	290,000

Additional information:

1. The beginning balance of allowance for doubtful debts is RM5,000.
2. During year 2021, accounts receivables amounting to RM3,200 was written off as uncollectible.
3. At the end of the period, the company estimates 10% of year-end balance in accounts receivable will be uncollectible.

Required:

(i) Compute the increase or decrease in the allowance for doubtful debts.

(4 marks)

(ii) Prepare the journal entries to record (i) and its closing entries.

(4 marks)

Part C

Show Time Dance Club hired you as a part time accountant during your study break. The club only prepares Receipts and Payments Account. The club owns properties and some of the club members have not paid their subscription fees due for the current year. You would like to propose to the treasurer of the club for an Income and Expenditure Account to be drawn up to show the assets and liabilities of the club. Demonstrate the Income and Expenditure account by describing it to the treasurer of the club.

(4 marks)

(Total: 25 marks)

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QUESTION 4

Part A

Annie, Bala and Cici have been in partnership for several years, sharing profits and losses in the ratio 3:2:1. Their last balance sheet which was prepared on 31 October 2021 is as follows:

Statement of Financial Position of Annie, Bala and Cici as at 31 October 2021

	RM	RM	RM
Non-current assets			
At cost			40,000
Less: Accumulated depreciation			(12,000)
			28,000
Current assets			
Inventory		10,000	
Debtors		42,000	
		52,000	
Current liabilities			
Bank overdraft	26,000		
Creditors	34,000	60,000	(8,000)
			20,000
Capital			
Annie			8,000
Bala			8,000
Cici			4,000
			20,000

Additional information:

Annie, Bala and Cici have agreed to dissolve the partnership on the following terms:

1. The inventory is to be sold to Dian Bhd for RM8,000.
2. The non-current assets will be sold for RM16,000 except for certain items with a book value of RM10,000 which will be taken over by Annie at an agreed valuation of RM14,000.
3. Sally, a debtor, becomes insolvent and is unable to repay RM36,000 owed to the partnership. Other debtors are expected to pay their accounts in full.
4. The dissolution costs will be RM1,600 and discounts received from creditors will be RM1,000.
5. Cici is unable to meet her liability to the partnership out of her personal funds.

Continued ...

Required:

(i) Prepare the realisation account.

(8 marks)

(ii) Prepare the capital accounts of the partners recording the dissolution of the partnership.

(7 marks)

Part B

Tang Bhd acquired a plant costing RM400,000 on 1 January 2016. The estimated useful life of the plant was determined to be ten years. On 31 December 2018, the plant was revalued, and the fair value was RM360,000 with a remaining useful life of seven years. On 1 January 2021, the plant was disposed of for RM240,000. Tang Bhd uses the revaluation model and wants the accumulated depreciation to be eliminated on revaluation.

Required:

In compliance with MFRS116 Property, Plant and Equipment, show the necessary ledger accounts

(10 marks)

(Total: 25 marks)

End of Paper